

19 May 2023 | **Analysis**

'Being Innovative Not Enough': Multinationals Want Driver's Seat In Changing China

Next-Stage Strategies Formulated

by **Brian Yang**

Multinational pharma firms are exploring their next growth trajectories in China, where some including AstraZeneca and Roche are deepening their commitment by becoming further integrated into local innovation ecosystems and pursuing deals, while others such as Pfizer are focusing on tackling reimbursement challenges.

Since China performed a sudden and drastic U-turn and dismantled most of its restrictive policies related to COVID-19 late last year, biopharma companies are embracing a unique opportunity to catch up but also regain growth in the country. Recent moves show how deeper and localized approaches are being pursued by major health sector players.

Top executives from multinationals from [Pfizer Inc.](#) to [AstraZeneca PLC](#) and [Roche Holding AG](#) say that being innovative in China is now not enough, and that to catch up with the dynamic nature of the market companies must integrate better into local ecosystems.

In recent months, several large deals between Chinese biotechs and multinationals, including [Merck & Co., Inc.](#) and [Eisai Co., Ltd.](#) for antibody-drug conjugates (ADCs), have once again shown the rapidly rising capabilities of Chinese biotechs in certain areas.

AZ Going Deeper In China

AstraZeneca has been a permanent bull on China. The UK-based firm in its latest China Ecosystem Circle conference, held in WuXi City on 19-20 May alongside the Wuxi Bay Health

Futures Conference, said it aims to become a "local multinational."

In his presentation, Leon Wang, International and China President, said AZ aimed to be able to enter, expand and take roots in markets in China and that the goal is to "establish a local multinational corporation that loves the party and the country."

His presentation centered on the company's core therapeutic areas - metabolism and digestive, lung cancer, respiratory/asthma, chronic disease and precision diagnostics, and also touched on digital detailing. AZ has chosen Wuxi City as the center for its local innovation ecosystem building efforts in China and as such invited start-ups, academics and investors to participate in the meeting.

AZ aims to "establish a local multinational corporation that loves the party and the country" - Lion Wang, International and China President, AstraZeneca

Around the topics of digital health and education, the company invited Huawei, [Sanofi](#) and DXY to share their experiences and challenges.

In April, AZ's CEO Pascal Soriot hailed China's "explosion of biotech companies" and "rapid expansion of clinical trials" after returning from a two-week trip. Just recently, the UK company licensed global rights to LM-305, an ADC targeting the G protein-coupled receptor DPR5D, from Shanghai [LaNova Medicines](#), in a deal worth \$55m upfront and \$600m in total.

AZ has also been building a network ecosystem together with a Chinese investment bank to take a long-term view in the country, a senior R&D executive told *Scrip* in a recent interview (see sidebar).

As the company marks the 30th anniversary of its entry into the Chinese market, the conference aimed to become a new launch pad for its next growth stage in the country.

AstraZeneca Oncology R&D Head On China Biotech Innovation

By [Dexter Yan](#)

Roche Signs Deal, Accelerates Innovation

Other similar deals between Chinese biotechs and MNCs seem to be becoming the new normal. Swiss giant Roche announced on 9 May the licensing of global rights from Hong Kong-headquartered [Zion Pharma Limited](#) to an HER2-targeting small molecule, ZN-A-1041. The transaction was valued at \$70m upfront plus milestone-based fees worth \$610m in total.

Founded merely five years ago, Zion has already established two clinical development centers, in Suzhou and Shanghai. The company has surprised many after quickly rising from founding to preclinical development, then from first-in-human studies to the validation of the deal, showcasing the stunning speed of growth for many innovative biotech start-ups in China.

This rapid development has also prompted Roche to initiate an accelerator to nurture local innovation in China, moving towards building its own ecosystem for novel research in the country.

Pfizer Builds Multi-Level Coverage

Pfizer already has one of the largest market shares among foreign drug makers in China and is working with the local government in Shanghai, biotech start-ups and insurers to provide new innovative solutions.

“China for Pfizer is an important market and a lot of things have been done, but there is still a lot to do,” country CEO Jean-Christophe Pointeau said in an interview with local media.

Previously, the company had said it planned to launch 12 new drugs in China by 2025, including pneumococcal vaccines and treatments for oncology, immunology, infectious diseases and rare diseases. However, aside from new product launches, it appears companies now must address market access and affordability challenges in China.

Despite having four products included in the National Reimbursement Drug List in the 2022 annual round of coverage talks, Pfizer like others is facing acute pain from the lack of commercial insurance coverage for its high-priced therapies, such as for hemophilia, where it has two marketed Factor IX replacement therapies.

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AstraZeneca has been drawn back to drug development innovation in China after accelerating its rate of licensing deals with biotechs in the country over the past few months. Meanwhile, the UK multinational has also been building a network ecosystem together with a Chinese investment bank to take a long-term view in the country, a senior R&D executive told *Scrip* in an interview.

[Read the full article here](#)

To that end, the company launched in early May a multi-level and flexible coverage payment plan to help meet patients' lifetime need for regular use of such products.

When contacted by *Scrip*, Guan Tao, president of the largest patient hemophilia group in China, Family of Hemophilia, said the program was being welcomed by patients. However, charity donations remain important to ensure medicine access.

Hemophilia is a progressive condition and each phase has different needs, so there are varying factors that need to be taken into consideration, he stressed.

(This is the second part of a new series on China Hedging. For part 1 (Also see "[Companies Still Embracing Growing China But Latest Crackdown Chills Sentiment](#)" - Scrip, 15 May, 2023.))